

# OUTLOOK

A Publication Of The South Dakota Retirement System

Number 1 February 2007

Use Personalized Tools to Estimate Income Needs, Benefit Amount

## Online Calculator Simplifies Retirement Planning

Wondering what percentage of your final working income SDRS will furnish after retirement? Need to estimate how large your monthly SDRS benefit will be? Find answers online via the new SDRS benefits calculator, a convenient, personalized, secure resource for retirement planning.

The calculator gives you a quick, accurate estimate of your monthly retirement benefit by using up-to-date information from your SDRS account. Access the

calculator on the SDRS Web site, at [www.sdrs.sd.gov](http://www.sdrs.sd.gov), by logging in to the secure, members-only section, *My SDRS*.

After logging in, click a tab at the top of the *My SDRS* welcome screen to open the benefits calculator. The calculator automatically uploads current, personal information about your credited service and contributions.

You can estimate the benefit you would receive under various scenarios by entering different retirement dates, years of credited service and final salary. By showing you the effect a few more years of work or the purchase of additional credited service can have on the amount of your monthly

benefit, the calculator takes a lot of the guesswork out of retirement planning.

### Link Makes Estimating Needed Income Easy

The SDRS Web site now provides a link to Ballpark E\$timate, which features online worksheets that reduce the complexity of figuring how much retirement income you will need. Use the online calculator to estimate the amount of your SDRS benefit and then enter that estimate into the Ballpark worksheet. The result gives you a picture of how much additional retirement income, if any, you will want to have. >>

SDRS

About SDRS Retirement Planning

My SDRS Personal Info

Login ID:

Password:

Forgot your password? New registration for My SDRS Personal Information

1

2

1. Log in here with your SDRS ID and password.
2. First-time users click here to complete the simple registration process.

SDRS

SOUTH DAKOTA RETIREMENT SYSTEM

Personal Information Personal Benefits Statement Service Detail Contribution Detail Last 40 Quarters Retirement Statement Benefits Calculator Annuity Information

South Dakota Retirement System

Personal Information

Member's Name: JOHN DOE

Address: 111 CAPITOL ST  
PIERRE, SD 57501


3


3. From the *My SDRS* welcome page, click on the tab "Benefits Calculator."

>>

1. When the calculator page opens, it will have already uploaded your name, class of membership, months of service and current final average salary.
2. To receive a benefit estimate, enter
  - months of additional purchased service if you are currently purchasing service through a contract with SDRS or are planning to purchase service before retirement
  - month and year of last pay date prior to retirement
  - month and year to begin drawing retirement benefits

Then click "Calculate Benefit."

3. The calculator now shows your estimated monthly SDRS benefit and percentage of pre-retirement income replaced by SDRS.
4. Scroll down the page to view current final average salary in today's dollars. This is used in the calculation of the retirement benefit unless option B or C is selected. The final average salary can be adjusted for inflation by 2 percent to 3.5 percent for each additional year of employment (option B). Click option C to adjust future quarters of salary.
5. Click "Calculate Benefit" to see the new monthly SDRS benefit and income replacement percentage based on the final average salary option selected. Resources are available if you want more help with the process of retiring. For a more detailed timeline, refer to the *SDRS Quick Reference Guide*, available on the SDRS home page or by requesting a copy from the SDRS office at 1-888-605-SDRS. The authorized agent in your workplace can help you with forms and guide you through the process. For personal assistance in making financial plans for your retirement, make an appointment for an individual session with SDRS' retirement planners when they visit your area. Their schedule is on page 5 of this issue of *Outlook*. 



SOUTH DAKOTA RETIREMENT SYSTEM

Personal Information

Personal Benefits Statement

Service Detail


Contribution Detail

Last 40 Quarters

Retiree Statement

Benefits Calculator

Annuity Information



South Dakota Retirement System

Personal Retirement Benefit Information Calculator

Member's Name: JANE DOE (1a)

The SDRS benefit calculator is a valuable tool to be used in your retirement planning. You can use this tool to estimate the effect various retirement dates, years of credited service and final average salary changes may have on your monthly SDRS benefit.

1. Your SDRS retirement benefit will be calculated on the following credited service: (1b)

☐ Class A Estimate

☐ Class B Public Safety Estimate

☐ Class B Judicial Estimate

2. Credited Service prior to July 1, 2002: (1c)

(Per last service calculation date of: 6/30/2006 )

3. Credited Service after July 1, 2002: (1c)

(Per last service calculation date of: 6/30/2006 )

4. Purchasing Service: (2a)

If you are currently purchasing service through a contract with SDRS or if you anticipate purchasing service before your retirement, you may enter the purchased service (in months) for retirement benefit estimate purposes.

Cost of Purchasing Service: [Click here to calculate the current cost of purchasing service.](#)

5. Enter the month and year of your last pay date before retirement: (2b)

/

6. Enter the month and year you plan to begin drawing retirement benefits: (2c)

/

7. Select: You may calculate your SDRS retirement benefit by selecting one of the 3 following methods:

☒ (A) Use current Final Average Salary: (1d)

This option will estimate your retirement benefit based on today's dollars.

☐ (B) Project your current final average compensation by a yearly inflation factor: (4)

☐ 2% ☐ 2.5% ☐ 3% ☐ 3.5%

(This option will inflate your current final average compensation to the last pay date indicated in (5.) above)

☐ (C) Quarterly Salary Adjustment:

(This option allows you to estimate your final quarters of salary in order to adjust your final average compensation - If you select this option a screen will appear for your completion.)

8.  5

Your Estimated Monthly SDRS Benefit is calculated to be: (3a)

This amount represents an estimate that has been prepared from information provided by you for planning purposes. Your actual retirement benefit will be calculated by SDRS based on your final service and compensation on file at SDRS.

\* See note on limitations below.

The percentage of your final average salary that this estimated benefit represents: (3b)

The percentage of your income replaced by SDRS is vital information as you plan for retirement. To maintain the same standard of living after retirement that you had while working we estimate that you will need 70 to 85 percent of your final average salary. This percentage is arrived at by combining your SDRS retirement benefit with your Social Security benefit, plus your personal savings and other income.

\* Note on limitations:


Please note that your estimated SDRS retirement benefit may be subject to limitations. IRS Section 415 imposes retirement benefit limitations on high income employees. Please see [www.sdrs.sd.gov](http://www.sdrs.sd.gov) for an explanation of the Section 415 limitation. Additionally, if you participated in the Bankers Life retirement plan (Regent employees only) prior to 1975, your SDRS benefit may be offset. Please contact SDRS for further information if you believe either of these limitations may apply to you.

Additional Help:

To further help estimate the amount of personal savings you may require for

page 2

OUTLOOK Number 1 February 2007



[www.sdrs.sd.gov](http://www.sdrs.sd.gov)

## Additional Savings Increase Security of Retirement Plans

**H**ow do you envision spending your retirement? Cruising the continent in an RV or enjoying time close to home with family and friends? Exploring new interests or relaxing into an easier pace of life? Whatever your goals, it's important to save enough money to achieve them.

For most career members, SDRS benefits plus Social Security will probably provide enough income for a comfortable lifestyle. However, many SDRS members have retirement goals that will require additional funds, while others want extra income as a hedge against rising health care costs, emergency expenses or the financial demands of caring for family members. SDRS' Supplemental Retirement Plan offers a simple, tax-saving way to set aside those additional dollars.

### Members Decide How Dollars Are Invested

The Supplemental Retirement Plan (SRP) is an optional, tax-deferred

savings plan available to all SDRS members. "Tax-deferred" means you will pay no taxes on SRP contributions, interest, dividends or capital gains until the money is withdrawn.

Because the SRP is a personal investment plan, you choose both how much money to save and how to invest it. SRP contributions are deducted automatically each pay period from members' pre-tax pay, eliminating both the chore of writing a check each month and the temptation to spend the money elsewhere. As your plans or financial circumstances change, you can adjust the amount of your SRP contributions easily.

For 2007, federal law allows members to contribute at least \$25 per month, or up to \$15,500 per year. Further, catch-up provisions permit eligible members to contribute more as they near retirement age. Participants can also transfer savings from certain other retirement accounts, such as 401(k) plans and IRAs, into the SRP.

You decide how your SRP dol-

lars are invested by choosing from among 13 mutual funds. Ranging from low-risk money market funds to higher-risk (but also potentially higher-earning) growth funds, these options are selected for the SRP by the South Dakota Investment Council, the body that manages the SDRS trust fund. The council reviews the SRP investment options annually to ensure the funds' performances are the best available in the marketplace.

### Flexible Withdrawal Options

At retirement, you can withdraw your Supplemental Retirement Plan savings in one of three ways:

- as a lump sum (or partial lump sum) payment
- as a lifetime annuity (i.e., a guaranteed monthly dollar amount for life)
- in the form of periodic payments calculated as either
  - a percentage of the total fund paid over a fixed time period, or
  - a monthly fixed dollar amount paid until funds are depleted

Distributions from an SRP account must begin before the later of (a) April 1 following the calendar year in which you turn 70 ½ or (b) April 1 following the calendar year in which you terminate service.

Federal law allows members to withdraw plan dollars only upon termination of employment (including retirement) or in the event of an unforeseeable emergency. The law defines such an emergency as severe >>

## You Should KNOW...

### Early Savings Pays Big Dividends

Whether you save for retirement through SDRS' Supplemental Retirement Plan or another investment vehicle, it's important to

begin saving as soon as possible. The power of compounding interest means that early savings reaps big rewards.



>> financial hardship resulting from unexpected illness or injury.

### Enrollment Is Quick and Simple

Learn more about this easy, tax-saving way to invest extra dollars

for retirement by visiting the SDRS Web site, [www.sdrs.sd.gov](http://www.sdrs.sd.gov), or the Supplemental Retirement Plan Web site, [www.srp457.com](http://www.srp457.com).

To open an SRP account, contact the plan administrator directly via phone or mail:

### SDRS Supplemental Retirement Plan

207 E. Capitol Ave., Suite D  
Pierre, SD 57501  
(605) 224-2230  
(800) 959-4457 

## 2006 Performance Adds to System's Stability

# SDRS' Investments Post Outstanding Earnings

The South Dakota Retirement System's investments earned 13.11 percent during FY 2006, exceeding expectations for the third year in a row.


"SDRS' 2006 investment return adds even more confidence in the system's long-term stability," says Rob Wylie, SDRS administrator. "This strong performance helps ensure SDRS can meet its commitment to its members, with a funded status that is among the

most secure in the nation."

The South Dakota Investment Council invests SDRS trust fund dollars, which comprise the contributions of SDRS members and employers plus the past earnings on those contributions.

The high rate of return on investments in fiscal year 2006 surpassed the actuarial assumed rate of 7.75 percent. For the system to break even on a yearly basis, earnings must match or exceed the

assumed rate. Earnings exceeding the assumed rate are placed into a reserve to provide a cushion in case of years of low return and to fund future benefit improvements.

"The SDRS Board of Trustees proposes increases in benefits only when the system has the funds to pay for them," Wylie explains. "This approach is a key reason for the system's stability." 

## SDRS' Funded Status Among Best in Nation

	Actuarial Funded Ratio	Market Value Funded Ratio
2001	96.4%	105.36%
2002	96.7%	101.04%
2003	97.2%	99.28%
2004	97.7%	109.23%
2005	96.6%	110.6%
2006	96.7%	116.8%

Funded status is the ratio of a system's financial assets to its liabilities (the benefits a system has promised to pay). The actuarial funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liabilities. The market value funded ratio is equal to the market value of assets divided by the actuarial accrued liabilities. The average actuarial funded ratio among state retirement systems nationwide was 84 percent in FY 2006.



## Board Notes

*The following is a summary of major issues that came before the SDRS Board of Trustees at its meeting on December 7, 2006.*

### December 7, 2006

#### Financial Status

SDRS Administrator Rob Wylie and Chief Financial Officer Jane Roberts presented SDRS financial statements for the period ending June 30, 2006; Koren Holden, the financial and retirement actuary for Buck Consultants, presented the actuarial valuation.

Matt Clark, state investment officer, presented the 2007 investment update.

Ms. Holden presented the quadrennial review on asset/liability modeling. Don Eibsen of Buck Consultants presented the quadrennial investment performance report.

#### Budget

Jane Roberts presented the governor's recommended budget for SDRS for FY 2008.

#### Discussions

Mr. Wylie, Ms. Holden and SDRS General Counsel Wade Hubbard led a discussion on a supplemental annuity benefit proposal. Mr. Wylie and Ms. Holden reviewed actuarial procedures and related board policy. Mr. Wylie and Mr. Hubbard led a discussion on legislative matters.

**Present:** Elmer Brinkman, Brian Berglin, Dennis Chowen, Tracy Dahl-Webb, Jason Dilges, Laurie Gustafson, James Hansen, James John, Ray Hofman, Chuck Holmstrom, Darwin Longieliere, KJ McDonald, Eric Stroeder, Justice Steven Zinter, Sandy Zinter and Matt Clark (ex officio)

**Absent:** Louise Loban



## SDRS STATE-WIDE INDIVIDUAL COUNSELING SCHEDULE\*

SCHEDULE DATE	COUNTY	LOCATION	ADDRESS	DEADLINE TO SCHEDULE**
March 6, 2007	Charles Mix	Platte, 1st Fidelity Bank	501 Main Street	March 1, 2007
March 14, 2007	Brookings	Brookings, Staurolite Inn	2515 6th Street	March 8, 2007
March 20, 2007	Edmunds, McPherson	Eureka, Fire Hall	502 F. Avenue	March 15, 2007
March 27, 2007	Pennington	Rapid City (Other than Schools), Quality Inn	1902 N. LaCrosse	March 22, 2007
April 3, 2007	Aurora, Jerauld	Wessington Springs, Community Room	205 Wallace Drive	March 29, 2007
April 10, 2007	Marshall	Britton, Community Building	909 S Main	April 5, 2007
April 17, 2007	Dewey, Faulk, Potter	Gettysburg, Bob's Steakhouse	29336 Hwy 212	April 12, 2007
April 24, 2007	Meade	Sturgis, Philtown Best Western	Exit 32 S Junction	April 19, 2007

\* See the SDRS Web site for a more complete schedule. \*\* Individual retirement counseling sessions must be scheduled before noon on this date.

### OUTLOOK *Interview* ... continued from page 6

Social Security benefits may be lower in the future. In addition, Medicare has many of the same funding issues as Social Security. These issues emphasize why supplemental savings will be critical in the future.

**OUTLOOK:** *But members can rely on delivery of SDRS benefits when they retire, can't they?*

LONGIELIERE: Yes. Members will receive promised SDRS benefits for as long as they live — SDRS' fiscal condition is exceptionally strong, and there are safeguards built into the system to keep it so. Members can have extreme confidence in SDRS, even while many other pension systems across the country, both public and private, face financial strains that put their members' retirement future at risk.

**OUTLOOK:** *How can SDRS members prepare for the coming changes in the retirement landscape?*

LONGIELIERE: As I've mentioned, additional individual retirement savings can make up the difference between your estimated needs and your projected income. These savings could also provide a buffer against unexpected health care costs, or fund travel and other leisure activities.

Members need to prepare finan-

cially for the retirement they want. To assist members in planning for their retirement needs, SDRS provides planning tools on the SDRS Web site that help simplify estimating income needs and calculating retirement benefits. SDRS also provides group retirement planning seminars as well as individual retirement sessions throughout the year. These are excellent services and I strongly recommend that all


***SDRS' Supplemental Retirement Plan is an easy way to contribute to a retirement savings account and ensure deriving all the tax benefits that it offers.***

members utilize these services and programs early in their careers.

Members who start planning and saving for retirement early profit most from compounded savings. Over years, a little saved every month can grow into a sizable nest egg. SDRS' Supplemental Retirement Plan is an easy way to contribute to a retirement savings

account and ensure deriving all the tax benefits that it offers. The authorized agent in your workplace can tell you how to enroll, or you can contact the SDRS office for assistance.

**OUTLOOK:** *Is it strictly up to the members to plan for their retirement needs?*

LONGIELIERE: No, I believe it is a two-way street. There is a real need for each member to take responsibility to plan for his or her retirement, and there is a need for SDRS to continue to plan for future benefits. Over the next several months, the SDRS Board of Trustees will be involved in a strategic planning process that will examine the changing face of retirement, the SDRS benefit structure, financial resources for retirement in addition to SDRS, and planning for the nonfinancial aspects of retirement. We don't know a lot of the details yet, but I can tell you that individual counseling sessions and retirement planning seminars will continue around the state, and that SDRS already has broadened its focus beyond just paying benefits to members who retire. I think the key to a successful and rewarding retirement for our members incorporates both the members' planning and SDRS. 

*"Life expectancies will continue to increase...Retirees will be more active...Unfortunately, with increased longevity and activities will come an increase in associated expenses."*



Darwin Longieliere

## OUTLOOK Interview

Darwin Longieliere, representing the Board of Regents on the SDRS Board of Trustees, discusses the future of retirement.

**OUTLOOK:** *Many of us have come to expect a fast-changing workplace, but few of us give much thought to how retirement may be changing as well. What changes in retirement do you think we'll see in the next decade or two?*

LONGIELIERE: We can predict the changes we're likely to see by considering how retirees will be different. Life expectancies will continue to increase, and the average age of retirees will be greater than ever before. Retirees will be more active and want to do more than in generations past. These retirement activities may include volunteering, travel or even some form of work. Unfortunately, with increased longevity and activities will come an increase in associated expenses.

**OUTLOOK:** *Will retirees have enough resources to live these longer, more active lives?*

LONGIELIERE: It depends largely on each individual's needs and how well he or she has planned for retirement. Increasingly people assume that their standard of living will not decline in retirement. To sustain your lifestyle, SDRS recommends setting 70–85 percent of your gross working income as the goal for your retirement income. It is possible to derive this amount from SDRS and Social Security benefits alone, but most of us will want to supplement those benefits with individual retirement savings.

**OUTLOOK:** *What financial issues may retirees face in the future?*

LONGIELIERE: The costs and availability of healthcare will continue to be one of the greatest challenges in retirement. The costs of retiree healthcare have dramatically increased in the recent past and in some situations retirees cannot even purchase supplemental coverage.

Social Security's funding problems are another issue. Though there are several measures being considered that would help keep the system solvent, it is possible

*... continued on page 5*



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